

Message Text

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ACTION EB-05

INFO OCT-01 AF-05 ISO-00 DRC-01 RSC-01 /013 W
----- 010756

R 220930Z APR 74
FM AMCONSUL JOHANNESBURG
TO USDOC WASHDC
INFO AMEMBASSY MBABANE
AMEMBASSY PRETORIA
AMEMBASSY GABORONE
AMEMBASSY MASERU
SECSTATE WASHDC 3235

UNCLAS SECTION 1 OF 3 JOHANNESBURG 0400

E.O. 11652: N/A

TAGS: BEXP, ETRD, BC, LT, SF, WZ

SUBJECT: MARKET RESEARCH FOR PRINTING AND GRAPHIC ARTS (PGA)
EQUIPMENT TRADE MISSION

REF: A) MBABANE 663; B) STATE 70745; C) USDOC 4588;
D) STATE A-2465, MARCH 28, 1974; E) MBABANE A-008

1. FOLLOWING IS MARKET RESEARCH SURVEY ON PRINTING AND GRAPHIC ARTS INDUSTRY IN SOUTH AFRICA AS REQUESTED BY REFS C) AND D). THIS CABLE, TAKEN TOGETHER WITH MBABANE A-8, SURVEYS S.A. AND SWAZI MARKET. BOTSWANA AND LESOTHO NOT SURVEYED BUT THESE MARKETS EXTREMELY SMALL WITH NEGLIBIBLE EFFECT ON TRADE MISSION'S COMING. TRADE FIGURES A2 AND 3 ALSO CONTAIN WHATEVER MINIMAL IMPORTS MAY HAVE REACHED BOTSWANA AND LESOTHO AS FIGURES COVER FOUR-COUNTRY SOUTHERN AFRICA CUSTOMS AREA.

2. RESPONSES KEYED TO PARAGRAPHS USDOC 4588.

A.1 VALUE ANNUAL CONSUMPTION ROUGHLY EQUALS CIF VALUE IMPORTS AS THERE NO DOMESTIC PRODUCTION PGA EQUIPMENT. RE-EXPORTS MINIMAL - LESS THAN \$2 MILLION ANNUALLY.

2. U.S. SHARE OF IMPORTS - LATEST THREE YEARS (1970-1972):

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PERCENT

	AMOUNT \$M'S	SHARE	TOTAL IMPORTS
1970	\$ 3.9 M	13 PERCENT	\$30.4M
1971	5.9 M	16 PERCENT	37.4M
1972	5.6 M	24 PERCENT	23.7M

3. ORIGIN OF EXPORTS PGA EQUIPMENT COMPETING WITH U.S.

	AMOUNT \$M'S	PERCENTAGE	TOTAL IMPORTS
U.K.:			
1970	\$8.8M	29 PERCENT	
1971	15.4M	41 PERCENT	
1972	9.2M	39 PERCENT	
WEST GERMANY:			
1970	12.3M	41 PERCENT	
1971	12.5M	33 PERCENT	
1972	6.6M	28 PERCENT	
SWEDEN:			
1970	2.7M	19 PERCENT	
1971	.8M	2 PERCENT	
1972	1.1M	5 PERCENT	

4. LEADING DISTRIBUTOR PGA EQUIPMENT ESTIMATED 15 PERCENT ANNUAL GROWTH RATE CONSUMPTION USING 1973 AS BASE YEAR (1973 IMPORTS PGA EQUIPM. JAN. - NOV. TOTALLED \$18.3 M.). GROWTH STIMULATED BY INCREASING LITERARY LEVELS AND INTEREST IN READING BY AFRICAN POPULATION AS WELL AS INCREASED SALES PACKAGE GOODS TO AFRICANS. DEV. MANAGERS S.A.'S TWO ENGLISH NEWSPAPER HOUSES UNABLE GIVE GROWTH PROJECTION BUT BOTH IN PROCESS CONVERTING ELECTRONIC PHOTO TYPESETTING FROM HOT METAL PROCESS. ONE (SOUTH AFRICAN ASSOCIATED NEWSPAPERS SAAN) EXPECTS COMPLETE CHANGE OVER INCLUSIVE ELECTRONIC EDITING WITHIN 3 YEARS THROUGH PURCHASING (U.S. EQUIP.) PROBABLY BE COMPLETED BY END 1974). OTHER (ARGUS GROUP) WITHIN 10 YEARS AS SUBSTANTIAL R5 MILLION INVESTMENT IN HOT PROCESS ALREADY EXISTS. SAAN ALSO INTERESTED AUTOMATING MAIL ROOM HANDLING AS AFRICAN LABOR BECOMES MORE EXPENSIVE BUT EUROPEAN EQUIPMENT LOCALLY CONSIDERED LEADER THIS AREA.

B.1 PGA EQUIPMENT LIKELY HAVE:

A. HIGH SALES POTENTIAL

COMPOSING ROOM EQUIPMENT AND SYSTEMS PARTICULARLY PHOTO-
TYPESETTING MACHINES, MANUAL

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GRAPHIC ARTS EQUIPMENT INCLUDING PROCESS CAMERAS, FILM
PROCESSORS, COLOR SEPARATION SYSTEMS.
PLATEMAKING EQUIPMENT FOR OFFSET PRINTING, SHALLOW RELIEF
PLATES (PHOTOCOLYMER)
PRESSROOM AND RELATED EQUIPMENT INCLUDING PRINTING PRESSES,
LITHOGRAPHIC (SHEET-FED AND WEB-FED); PRINTING PRESSES
(LITHO PRESSES FOR NEWSPAPERS).
OTHER PRODUCTS AS QUALITY CONTROL INSTRUMENTS AND

SPECIALIZED ANTI-POLLUTION EQUIPMENT.

B. GOOD SALES POTENTIAL

COMPOSING ROOM EQUIPMENT AND SYSTEMS INCLUDING TYPEWRITERS
WITH CRT; PHOTO-COMPOSITION MACHINES - ALL TYPES; OPTICAL
CHARACTER RECOGNITION EQUIPMENT
GRAPHIC ARTS EQUIPMENT AS LIGHTING SYSTEMS; ENLARGERS,
SCANNERS, SPECIALIZED FILM
MAILERS
OTHER PRODUCTS AS INK MIST SUPPRESSION SYSTEMS AND PRESS
TENSION AND REGISTER CONTROLS.

2. U.S. OBVIOUS CHOICE IN ELECTRONIC PHOTO TYPESETTING AND
COMPOSITION FIELD AS ONLY SOURCE THIS EQUIPMENT. U.S. PRESSROOM
AND RELATED EQUIPMENT BECOMING COMPETITIVE IN PRICE AND QUALITY.
OTHER PRODUCTS AS QUALITY CONTROL INSTRUMENTS HAVE GOOD REPUTATION
AND COMPETITIVE PRICE.

3. MAJOR FOREIGN COMPETITORS ARE U.K. AND WEST GERMANY. SAAN,
FOR EXAMPLE, HAS JUST BOUGHT NEW LITHOGRAPHIC PRINTING PRESSES FROM
U.K. MAJOR REASONS SELECTION U.K. PRODUCTS: U.K. STRONGEST S.A.

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INFO OCT-01 AF-05 ISO-00 DRC-01 RSC-01 /013 W
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R 220930Z APR 74

FM AMCONSUL JOHANNESBURG

TO USDOC WASHDC

INFO AMEMBASSY MBABANE

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TRADING PARTNER, DURABILITY, SERVICE. GERMAN PRODUCTS KNOWN
EXCELLENT TECHNICAL CHARACTERISTICS, REPUTATION, SERVICE, QUALITY
OF OUTPUT. DEFINITE PRESENT PREFERENCE FOR EUROPEAN GRAPHIC ARTS
AND PLATEMAKING EQUIPMENT ON BASIS QUALITY. SWEDISH AND SWISS

PRODUCTS IN BINDING AND FINISHING EQUIPMENT AND MAILERS CATEGORY ALSO KNOWN FOR QUALITY.

C. MAJOR END USERS SECTORS FOR PGA EQUIPMENT INCLUDE TWO LARGE ENGLISH LANGUAGE GROUP PUBLISHERS - THE SOUTH AFRICAN ASSOCIATION OF NEWSPAPERS (SAAN) AND THE ARGUS GROUP - AND THE AFRIKAANS GROUP, PERSKOR. IN ADDITION SOME 1200 COMMERCIAL PRINTING FIRMS EMPLOYING APPROXIMATELY 50,000 PEOPLE OPERATE IN SOUTH AFRICA. THIS DOES NOT INCLUDE IN-PLANT OR IN-COMPANY PRINTING ACTIVITIES. INDUSTRY RATED AS 6TH LARGEST SECONDARY INDUSTRY IN S.A. WITH ANNUAL OUTPUT VALUED \$375 MILLION. INDUSTRY CAPITALIZED AT \$330 MILLION.

1. DOMESTIC MARKET PROFILE:

SCOPE OF INDUSTRY:

TWO PROBLEMS PLAGUE PRINTING INDUSTRY IN SOUTH AFRICA: A) TOO MANY FIRMS COMPETING FOR RELATIVELY SMALL MARKET; AND B) SERIOUS SHORTAGE OF SKILLED TECHNICIANS. WHILE THERE ARE SOME 1,200 PRINTING FIRMS, ONLY FIFTEEN TO TWENTY OF LARGEST CAPABLE PRODUCING HIGH QUALITY PRODUCT MOST IN DEMAND. THESE LARGER FIRMS ARE NEWSPAPER PUBLISHERS, SAAN, ARGUS AND PERSKOR, AND FIRMS IN MEMBERSHIP IN LARGEST COMPANY GROUPS OR CONGLOMERATES, UNCLASSIFIED

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ONE INDICATION OF PRESENT STATE OF ART IS THAT, UNTIL ABOUT SIX YEARS AGO, PRINTING IN SOUTH AFRICA VIRTUALLY CONFINED TO HOT-METAL, TYPESETTING FORMS OF PRINTING. ALTHOUGH INDUSTRY STILL PRIMARILY BASED ON HOT-METAL PROCESSES, CONSIDERABLE MODERNIZATION TAKING PLACE AND BOTH ENGLISH LANGUAGE NEWSPAPER GROUPS ARE CONVERTING TO ELECTRONIC PHOTO TYPESETTING PROCESSES.

IN 1971, PRINTING TRADE WAS IN DOLDRUMS. CONDITION RESULTED FROM LARGE INCREASE IN IN-&-HOUSE PRINTING WHICH REDUCED MARKET AVAILABLE TO COMMERCIAL PRINTING HOUSE. ADVENT OF VERY ADVANCED "TABLE-TOP" PRINTING EQUIPMENT WHICH CAN BE EASILY OPERATED BY EMPLOYEES WITH VERY LITTLE TRAINING OR SKILL EXACERBATED INDUSTRY SLUMP IN 1971. RESULT WAS KEEN COMPETITION, PRICE CUTTING, AND EVENTUALLY ELIMINATION OF MANY SMALL PRINTING FIRMS. CONDITIONS AMONG REMAINING HAVE STABILIZED OVER PAST TWO YEARS. SOUTH AFRICA HAS NO PROFESSIONAL TRAINING INSTITUTIONS FOR PRINTERS AND RELATED TECHNICIANS DESPITE SERIOUS SHORTAGE SKILLED PERSONNEL IN FIELD. BLACKS PROHIBITED, OWING TO UNION RULES, FROM ENTERING THIS PROFESSION. BETTER TECHNICIANS USUALLY RETAINED BY LARGEST FIRMS INASMUCH AS HIGHER WAGES AND BETTER WORKING CONDITIONS OFFERED. THIS GIVES SMALL, OFTEN OWNER-OPERATED PRINTING BUSINESS, ADDITIONAL DISADVANTAGE IN COMPETING. NEWSPAPER HOUSES, TOO, HAVE DIFFICULTY SECURING AND RETAINING TRAINED STAFF AND THIS CONDITION AUGMENTS NEED FOR MORE FULLY AUTOMATED COMPOSING AND PRESSROOM EQUIPMENT.

TWO VERY RECENT DEVELOPMENTS IN PRINTING IN SOUTH AFRICA ARE A) PHOTOCOMPOSITION BY COMPUTERS AND B) INTRODUCTION OF COLOR PRINTING IN NEWSPAPERS. ELECTRONICS EDITING LINKED INTO

ELECTRONIC PHOTO TYPESETTING PROCESS WILL BE INTRODUCED SHORTLY.

2. DUTY RATES

TARIFF LEVELS:

SOUTH AFRICA IS MEMBER OF GATT AND OVERALL LEVEL OF S.A.

TARIFFS CAN BE DESCRIBED AS MODERATE. WITHIN THIS FRAMEWORK,

S.A. GOVERNMENT LEVIES THREE DIFFERENT SYSTEMS DUTIES:

A) "PREFERENTIAL" TARIFFS ON IMPORTS FROM U.S., CANADA, AND CERTAIN OTHER COMMONWEALTH COUNTRIES, A REFLECTION OF SOUTH AFRICA'S FORMER MEMBERSHIP IN THIS ORGANIZATION.

B) "MFN" TREATMENT FOR GATT MEMBER COUNTRIES, INCLUDING U.S.

C) "GENERAL" DUTIES ON GOODS FROM COUNTRIES NOT FALLING WITHIN ABOVE TWO CATEGORIES.

TARRIFFS IMPOSED ON PRINTING AND RELATED INDUSTRIES EQUIPMENT
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ENTERING SOUTH AFRICA FROM U.S. RANGE FROM 0 - 5 PERCENT
AD VALOREM, AND DUTIABLE VALUE IS DOMESTIC VALUE OR F.O.B. PRICE
OF GOODS IN COUNTRY OF ORIGIN, WHICHEVER GREATER.

SPECIFIC TARIFF EXAMPLE:

BTN 84.31 MACHINERY FOR MAKING OR FINISHING CELLULOSIC PULP,
PAPER OR PAPERBOARD, ENTERS DUTY FREE.

BOOK-BINDING MACHINERY INCLUDING BOOK-BINDING MACHINES (BTN 84.32)
ENTERES DUTY FREE EXCEPTING PORTABLE OR MOBILE MACHINES WHICH
SUBJECT TO 5 PERCENT TARIFF.

BTN.84.33, PAPER OR PAPERBOARD CUTTING MACHINES; MACHINERY FOR
MAKING UP PAPER PULP, PAPER OR PAPERBOARD, ENTERS DUTY FREE
EXCEPTING PORTABLE OR MOBILE WHICH AGAIN SUBJECT TO 5 PERCENT
AD VALOREM DUTY. MOST OF EQUIPMENT FALLING WITHIN BTN 84.34;
E.G. PRINTING TYPE, IMPRESSED FLANGES AND MATRICES, PRINTING BLOCKS,
PLATES AND CYLINDERS (EXCEPT OFFSET DUPLICATING MASTERS) AND
LITHOGRAPHIC STONES PREPARED FOR PRINTING PURPOSES, FACE 3 PERCENT
AD VALOREM DUTY. OTHER MACHINERY FALLING WITHIN THIS CATEGORY
ENTERES DUTY FREE.

IMPORTS UNDER BTN 84.35 - OTHER PRINTING MACHINERY, MACHINES FOR

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ACTION EB-05

INFO OCT-01 AF-05 ISO-00 DRC-01 RSC-01 /013 W

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R 220930Z APR 74

FM AMCONSUL JOHANNESBURG

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USES ANCILLARY TO PRINTING ADMITTED TARIFF FREE BUT CONFRONT
15 PERCENT SALES DUTY WHEN MARKETED HERE.

B. NON-TARIFF BARRIERS

IN ORDER MAINTAIN ADEQUATE CONTROL OVER FOREIGN EXCHANGE LEVELS
MANY IMPORTS INCLUDING PGA EQUIPMENT ARE SUBJECT TO IMPORT
LICENSING. IMPORTER USUALLY ESTABLISHED DISTRIBUTOR WHO HAS NO
DIFFICULTY OBTAINING REQUISITE LICENSE PROVIDING ADEQUATE
JUSTIFICATION FOR IMPORT MADE. SUFFICIENT CURRENCY THEREBY
ASSURED TO PAY FOR ALL IMPORTS.

C. GOVERNMENT PURCHASING POLICIES

HIGHLY CENTRALIZED AND VIRTUALLY ALL DONE THROUGH COMPETITIVE
BIDDING ON INVITATIONS FOR TENDERS PUBLISHED WEEKLY IN STATE TENDER
BULLETIN. NATIONAL PROCEDURES FAVOR DOMESTIC FIRMS BUT OVERSEAS
FIRMS WELCOME BID IF FIRM HAS AGENT REPUBLIC TO ACT ITS BEHALF.
BIDS MUST BE C.I.F. BASIS AND NORMALLY INCLUDE RAIL CHARGES
WITHIN REPUBLIC FROM PORT TO POINT DELIVERY. LEAD TIME 30-45
DAYS GENERALLY GIVEN.

3. MODE OF REPRESENTATION AND MARKETING TECHNIQUES FOR U.S. FIRMS
NEW TO MARKET. U.S. FIRM SHOULD WORK THROUGH REPUTABLE AGENT OR
DISTRIBUTOR, PREFERABLY ONE WILLING STOCK SPARES. AFTER-SALES
SERVICE VITAL AS IT GENERALLY PRETTY POOR S.S. U.S. FIRM REP
SHOULD VISIT S.A. AND SELECT DISTRIBUTOR THEMSELVES AFTER
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CHECKING OUT SIZE, SERVICE FACILITIES, WAREHOUSING, COMPETITORS
ALREADY REPRESENTED BY POTENTIAL DISTRIBUTOR, ETC. LOCAL
DISTRIBUTORS TEND SPECIALIZE PARTICULAR FIELD.

3. COMMENT.

AS WITH HOTEL AND RESTUARANT CATERING EQUIPMENT CATALOG SHOW,
CONGEN A BIT WARY OF POSSIBILITY OF PERSUADING S.A. BUSINESSMEN
TO DRIVE MBABANE TO VISIT TRADE MISSION. USUALLY SUCH MISSIONS

COME TO CUSTOMERS. TWO OUR SOURCES EXPRESSED DEFINITE INTEREST
MEETING TEAM MEMBERS IF GROUP VISITS JOHANNESBURG; REACTION OF
THIRD WAS THAT SOUTH AFRICANS WOULD NOT TAKE SERIOUSLY A U.S. TRADE
MISSION VISIT TO SWAZILAND AND PROBABLY WOULD NOT GO THEMSELVES
SOLELY FOR TRADE MISSION.
DEGRACE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE VISITS, MARKET SURVEYS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JOHANN00400
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740095-0245
From: JOHANNESBURG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740425/aaaaawax.tel
Line Count: 337
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A) MBABANE 663; B) STATE 70745; C) U, SDOC 4588;
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by BryanSD>; APPROVED <27 DEC 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARKET RESEARCH FOR PRINTING AND GRAPHIC ARTS (PGA) EQUIPMENT TRADE MISSION
TAGS: BEXP, ETRD, BC, LT, SF, WZ
To: COM
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005